



**University of Management and Technology**  
School of Commerce and Accountancy  
Quaid e Azam Campus

## Course Outline

<b>Course Title: International Finance</b> <b>(FN-472)</b>	
<b>Program</b>	M.Com/MBS/B.Com(H)
<b>Credits Hours</b>	3
<b>Duration</b>	15 Weeks / 30 Sessions
<b>Prerequisites</b>	Financial Management (FN390)
<b>Resource Person</b>	
<b>Contact/Email</b>	

**Course Description:**

The course is designed to provide a rigorous understanding of the sustainable International Financial Mechanism, International Trade, Balance of Payments, Market for foreign Exchange and Exchange rate determination, floating, managed float and fixed exchange rate systems. To minimize the uncertainty of exchange rate fluctuation, the topic of forecasting exchange rate is also included in the course. The environmental and ethical constraints for MNCs around the world are also specially included for covering whole international scenarios.

The course also focuses on the role of a financial manager in international perspective. The risk to the firm, due to exchange rate fluctuations is divided into Economic, transaction, and translation exposure. For each of these areas, attempt is made to answer the questions like: why and how do fluctuating exchange rates place the multinational firm at risk? What can the firm do to minimize the risk associated with fluctuating exchange rates?

International sources of financing international trade along with the issues relating to the way a firm raises capital are also considered. In this regard, the analysis of foreign capital markets and Euro markets is undertaken. A survey of key international financial institutions and their role in the economic development of Pakistan will also be analyzed.

**Learning Objectives:**

After studying this course the students will be able to:

- Provide students with a knowledge of environmental and Ethical constraints for MNCs
- Explain the common methods used to conduct sustainable international business
- Provide students with a basic knowledge of how international financial markets work.
- Provide students with an understanding of exchange rates and why currency values fluctuate.
- Explore methods used to manage risk in the global markets.
- Support student learning through site visits to financial centers executing the International financial transactions and their professional and ethical behavior.
- Provide an in-depth understanding of the process and techniques used to make international investment decisions.

### **Teaching-Learning Methodology:**

- Lectures
- Recommended Text/Supplementary Texts
- Handouts
- Case Studies
- Class activities
- Applied Projects

### **Recommended Text Book:**

1. International Financial Management    **Latest Edition**  
By: Jeff Madura

### **Supplementary Text Books:**

1. Levi, D. Maurice, International Finance, 8th Edition, McGraw Hill International Edition (2015)
2. Shapiro, A. C., Multinational Financial Management, 9<sup>th</sup> Edition, Prentice Hall International Edition (2015)
3. Eitman, Stonhill and Moffett; Multinational Business Finance, Addison-Wesley Publishing Company Maximo V. Eng. et al. Global Finance, Harper Collins College of Publishers (2015)

### **Assessment & Evaluation:**

Quizzes	<b>15%</b>	
Assignments		}
Final Project	20%	
Project Presentation/Presentations		
Mid Term	<b>25%</b>	
<u>End Term Exam</u>	<b><u>40%</u></b>	
<b>Total:</b>	<b>100</b>	

## SCHEDULE OF ACTIVITIES

Week	Contents/Topics to be Taught	Tasks/Activities
1	<p><b>Fundamentals of Multinational Sustainable Financial Management</b></p> <ul style="list-style-type: none"> <li>• Justifying the importance of Global Financial Management</li> <li>• Making the difference between Domestic &amp; Global Finance</li> <li>• The major trends in International Business.</li> <li>• Explain the common methods used to conduct sustainable international business</li> <li>• Identify the main goal of the MNC and conflicts with that goal</li> <li>• Describe the key theories that justify international business</li> <li>• Describe the <b>environmental and Ethical constraints for MNCs</b></li> </ul>	Course Outline Distribution
2	<p><b>Sustainable International Flow of Funds</b></p> <ul style="list-style-type: none"> <li>• To explain the key components of the balance of payments</li> <li>• To explain how the international flow of funds is influenced by economic factors and other factors.</li> <li>• To understand the mechanism of International Financial Institution</li> <li>•</li> </ul>	
3	<p><b>International Financial Markets</b></p> <ul style="list-style-type: none"> <li>• Motives for Using International Financial Markets</li> <li>• To describe the background and corporate use of the following international financial markets: Foreign exchange market, International currency market, International credit market, International market, and International stock markets</li> </ul>	Quiz 1
4	<p><b>Exchange rate determination</b></p> <ul style="list-style-type: none"> <li>• Explain how exchange rate movements are measured,</li> <li>• Explain how the equilibrium exchange rate is determined, and</li> <li>• Examine factors that affect the equilibrium exchange rate.</li> </ul>	Assignment 1
5	<p><b>International Arbitrage and Interest Rate parity</b></p> <ul style="list-style-type: none"> <li>• Explain the conditions that will result in various forms of international arbitrage, along with the realignments that will occur in response to various forms of international arbitrage.</li> <li>• Explain the concept of interest rate parity and how it prevents arbitrage opportunities.</li> </ul>	
6	<p><b>Relationships between inflation, interest rates and exchange rates</b></p> <ul style="list-style-type: none"> <li>• Explain the purchasing power parity (PPP) theory and its implications for exchange rate changes.</li> </ul>	Assignment 2

	<ul style="list-style-type: none"> <li>• Explain the international Fisher effect (IFE) theory and its implications for exchange rate changes.</li> <li>• Compare the PPP theory, IFE theory, and theory of interest rate parity (IRP), which was introduced in the previous topic</li> </ul>	
7	<b>Forecasting Exchange Rates</b> <ul style="list-style-type: none"> <li>• Explain how firms can benefit from forecasting exchange rates;</li> <li>• Describe the common techniques used for forecasting; and</li> <li>• Explain how forecasting performance can be evaluated.</li> </ul>	Quiz 2
8	<b>MID TERM EXAMINATION</b>	
9	<b>Managing Transaction Exposure</b> <ul style="list-style-type: none"> <li>• Explain how an MNC's economic exposure can be hedged.</li> <li>• Explain how an MNC's transaction exposure can be hedged.</li> </ul>	
10	<b>Managing Economic Exposure</b> <ul style="list-style-type: none"> <li>• Explain how an MNC's economic exposure can be hedged.</li> <li>• Explain how an MNC's translation exposure can be hedged.</li> </ul>	Quiz 3
11	<b>Direct Foreign Investment and Ethical constraints</b> <ul style="list-style-type: none"> <li>• Describe common motives for initiating direct foreign investment.</li> <li>• Illustrate the benefits of international diversification.</li> <li>• Managing the ethical constraints Internationally</li> </ul>	Assignment 4
12	<b>Multinational Capital Budgeting</b> <ul style="list-style-type: none"> <li>• Compare the capital budgeting analysis of an MNC's subsidiary versus its parent.</li> <li>• Demonstrate how multinational capital budgeting can be applied to determine whether an international project should be implemented.</li> <li>• Explain how the risk of international projects can be assessed.</li> </ul>	Quiz 4
13	<b>Country risk analysis</b> <ul style="list-style-type: none"> <li>• Identify the common factors used by MNCs to measure a country's political risk.</li> <li>• Identify the common factors used by MNCs to measure a country's financial risk.</li> <li>• Explain the techniques used to measure country risk.</li> <li>• Explain how MNCs use the assessment of country risk when making financial decisions.</li> </ul>	
14	<b>Financing international trade</b> <ul style="list-style-type: none"> <li>• Describe methods of payment for international trade.</li> <li>• Explain common trade finance methods.</li> <li>• Describe the major agencies that facilitate international trade with export insurance and/or loan programs.</li> </ul>	Presentations (if any)

15	<b>Short term Financing (STF)</b> <ul style="list-style-type: none"><li>• Explain why MNCs consider foreign financing.</li><li>• Explain how MNCs determine whether to use foreign financing.</li><li>• Illustrate the possible benefits of financing with a portfolio of currencies.</li></ul>	
16	<b>END TERM EXAMINATION</b>	